



NOMURA

Nomura Europe Holdings plc

Quarterly Pillar 3 Disclosures

31 December 2021

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Foreword

Background

The Nomura Europe Holdings plc Group ("the Group") is authorised by the Prudential Regulation Authority ("PRA") and regulated by the Financial Conduct Authority ("FCA") and the PRA. The regulatory consolidation is produced in accordance with the requirements established under the Capital Requirements Directive ("CRD") and the Capital Requirements Regulation ("CRR"), collectively referred to hereinafter as "CRD IV", which came into effect on 1st January 2014.

Scope of Application

This document presents the consolidated Pillar 3 disclosures as at 31st December 2021 for the Group as well as disclosures covering three material subsidiaries where required, Nomura International Plc ("NIP"), Nomura Bank International Plc ("NBI") and Nomura Financial Products Europe GmbH ("NFPE")

The Group, NIP and NBI are regulated by the PRA and FCA whereas NFPE is regulated by the BaFin.

NIP contributes over 94% of the Group's capital requirement and its risk management policies and procedures are consistent with the Group. Significant subsidiary disclosures have been made for NIP as applicable.

NBI is a United Kingdom ("UK") regulated bank but its Risk Weighted Assets ("RWA") are immaterial to the Group. Therefore NBI disclosures have been made for article 437 (Own Funds) with no other disclosures relevant to significant subsidiary requirements.

NFPE's RWA's are also immaterial to the Group. Therefore NFPE disclosures have also been made for article 437 (Own Funds) with no other disclosures relevant to significant subsidiary requirements.

Other regulated subsidiaries included in the Group consolidation figures are Nomura Bank Luxembourg S.A. ("NBL"), Banque Nomura France S.A. ("BNF"), Nomura Alternative Investment Management France S.A.S ("NAIME") and Nomura Bank Switzerland Ltd ("NBS").

Certain subsidiaries are subject to local Pillar 3 Regulatory requirements. However, owing to their inclusion and small size within the Group, separate quarterly disclosures have not been made for NBL, BNF, NAIME or NBS.

Scope of Consolidation

The Group's regulatory consolidation includes UK and non-UK regulated entities; Article 6 of the CRR provides guidance on capital calculations and consolidation of subsidiary undertakings. The regulatory consolidation excludes certain special purpose entities which are included in the accounting consolidation under UK GAAP. A small number of entities included in the accounting consolidation are also excluded from the regulatory consolidation on the basis of their immaterial balance sheet size. There is no material impact on the regulatory capital position of the Group due to the exclusion of these entities

All companies within the Group are limited by ordinary shares. Apart from the requirements to hold regulatory capital, subject to regulatory approval by the relevant local authority, there is no practical or legal impediment to the prompt transfer of capital between entities within the Group. The Group is a 100% owned subsidiary of Nomura Holdings Inc. ("NHI") (incorporated in Japan), the ultimate parent of the Group. NHI publishes separate Pillar III disclosures ([NHI Pillar 3](#)). NHI, together with the Group and NHI's other subsidiary undertakings, form the "Nomura Group".

With effect from April 2015, the Group applied the UK Companies Act 2006 exemption from producing statutory group accounts. The exemption applies to a UK parent company where certain conditions are met. Specifically this includes where the UK parent and all of its subsidiaries are included in group accounts of a larger non-European Economic Area ("EEA") group prepared in accordance with accounting standards which are equivalent to EU-adopted IFRS. Statutory consolidated accounts for the Group are therefore not to be published.

Key Metrics

	The Group
Capital (\$m)	
Tier 1 Capital	5,568
Tier 2 Capital	2,160
Capital Requirements (\$m)	
Total RWA	30,953
Total Capital Requirement ⁽¹⁾	3,876
Capital Ratios (%)	
Tier 1 ⁽²⁾	17.99%
Leverage Ratio	
Total Leverage Ratio Exposure (\$m)	156,272
Leverage Ratio (%)	3.56%

1. Pillar 1 + Pillar 2a requirements
2. Tier 1 Capital / Total RWA

Quantitative Disclosures

Own Funds

CRR Articles 437 and 492

The Group, NIP, NBI and NFPE Own Funds:

ITS ⁽¹⁾	(\$m)	Dec-21			
		The Group	NIP	NBI	NFPE ⁽⁶⁾
6	Common Equity Tier 1 ("CET 1") before regulatory adjustments	5,704	5,326	174	682
28	Total Regulatory Adjustments to Common Equity Tier 1 ⁽²⁾	(136)	(186)	93	(4)
45	Tier 1 Capital	5,568	5,140	267	678
46	Tier 2 Capital	2,160	1,260	-	210
59	Total Capital	7,728	6,400	267	888
62	Tier 1 Ratio⁽³⁾	17.99%	17.68%	327.19%	31.03%
63	Total Capital as a percentage of total risk exposure amounts	24.97%	22.01%	327.19%	40.61%
64	Institution specific buffer requirement ⁽⁴⁾	2.56%	2.56%	2.50%	2.55%
65	of which: Capital conservation buffer requirement	2.50%	2.50%	2.50%	2.50%
66	of which: Countercyclical capital buffer requirement	0.06%	0.06%	0.00%	0.05%
68	Common Equity Tier 1 available to meet buffers ⁽⁵⁾	8.60%	7.93%	319.19%	22.03%

1. Implementing Technical Standards Regulations (EU) no. 1423/2013

2. Regulatory adjustments per CRR article 33 (1) (b), (c), article 36 (1) (c), article 105 and intangible asset deductions per article 37

3. Tier 1 capital ratio is equal to the CET1 ratio

4. Institution specific buffer requirement: capital conservation buffer plus countercyclical capital buffer requirements expressed as a percentage

5. Common Equity Tier 1 available to meet minimum Tier 1 total capital requirements (Pillar 1 + Pillar 2A) as there are no innovative Tier 1 instruments

6. NFPE reports in Euros and was converted to dollars at a rate of 0.8835

No restrictions have been applied to the calculation of Common Equity Tier 1 or the prudential filters to Common Equity Tier 1 ("CET 1"). The Group is applying transitional provisions of IFRS 9 to Own Funds.

Tier 1 Capital consists of share capital and reserves.

Tier 2 Capital consists of subordinated debt.

Transitional Provisions

CRR Article 473a

Following adoption of IFRS 9 on 1 April 2018 the Group now applies the Expected Credit Loss ("ECL") model which replaces the incurred loss model under IAS 39. The table provides a comparison of own funds, capital and leverage ratios with and without the application of transitional arrangements for IFRS 9.

CRR article 473a ECL transitional relief has been extended to provide additional ECL relief following COVID-19. The relief permits the Group to add back to its own funds 100% of any increases in ECL arising from 1 January 2020 (deemed to be as a result of COVID-19) with the relief factor reducing to 25% by 2025. Prior to January 2020, the ECL relief factor currently stands at 50% which will phase out to 25% by 2023.

\$(m)	The Group				
	Dec-21	Sep-21	Jun-21	Mar-21	Dec-20
Available Capital					
Common Equity Tier 1 (CET1) capital	5,568	5,630	5,708	5,710	5,374
Common Equity Tier 1 (CET1) capital as if IFRS 9 ECL transitional arrangements had not been applied	5,566	5,629	5,705	5,707	5,370
Tier 1 capital	5,568	5,630	5,708	5,710	5,374
Tier 1 capital as if IFRS 9 ECL transitional arrangements had not been applied	5,566	5,629	5,705	5,707	5,370
Total capital	7,728	7,790	7,868	7,870	7,534
Total capital as if IFRS 9 ECL transitional arrangements had not been applied	7,726	7,789	7,865	7,867	7,530
Risk Weighted Assets					
Total risk-weighted assets	30,953	33,976	33,544	33,291	33,853
Capital Ratios					
Common Equity Tier 1 (as a percentage of risk exposure amount)	17.99%	16.57%	17.02%	17.15%	15.87%
Common Equity Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 ECL transitional arrangements had not been applied	17.98%	16.57%	17.01%	17.14%	15.86%
Tier 1 (as a percentage of risk exposure amount)	17.99%	16.57%	17.02%	17.15%	15.87%
Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 ECL transitional arrangements had not been applied	17.98%	16.57%	17.01%	17.14%	15.86%
Total capital (as a percentage of risk exposure amount)	24.97%	22.93%	23.45%	23.64%	22.25%
Total capital (as a percentage of risk exposure amount) as if IFRS 9 ECL transitional arrangements had not been applied	24.96%	22.92%	23.45%	23.63%	22.24%
Leverage Ratio					
Leverage ratio total exposure measure	156,272	164,931	161,959	154,099	168,800
Leverage ratio	3.56%	3.41%	3.52%	3.71%	3.18%
Leverage ratio as if IFRS 9 ECL transitional arrangements had not been applied	3.56%	3.41%	3.52%	3.70%	3.18%

\$(m)	NIP				
	Dec-21	Sep-21	Jun-21	Mar-21	Dec-20
Available Capital					
Common Equity Tier 1 (CET 1) capital	5,140	5,222	5,324	5,349	5,067
Common Equity Tier 1 (CET1) capital as if IFRS 9 ECL transitional arrangements had not been applied	5,138	5,220	5,321	5,345	5,063
Tier 1 capital	5,140	5,222	5,324	5,349	5,067
Tier 1 capital as if IFRS 9 ECL transitional arrangements had not been applied	5,138	5,220	5,321	5,345	5,063
Total capital	6,400	6,482	6,584	6,609	6,327
Total capital as if IFRS 9 ECL transitional arrangements had not been applied	6,398	6,480	6,581	6,605	6,323
Risk Weighted Assets					
Total risk-weighted assets	29,073	32,321	32,469	31,686	32,840
Capital Ratios					
Common Equity Tier 1 (as a percentage of risk exposure amount)	17.68%	16.16%	16.40%	16.88%	15.43%
Common Equity Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 ECL transitional arrangements had not been applied	17.67%	16.15%	16.39%	16.87%	15.42%
Tier 1 (as a percentage of risk exposure amount)	17.68%	16.16%	16.40%	16.88%	15.43%
Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 ECL transitional arrangements had not been applied	17.67%	16.15%	16.39%	16.87%	15.42%
Total capital (as a percentage of risk exposure amount)	22.01%	20.06%	20.28%	20.86%	19.27%
Total capital (as a percentage of risk exposure amount) as if IFRS 9 ECL transitional arrangements had not been applied	22.01%	20.05%	20.27%	20.84%	19.25%
Leverage Ratio					
Leverage ratio total exposure measure	146,467	156,018	154,523	148,038	164,248
Leverage ratio	3.51%	3.35%	3.45%	3.61%	3.08%
Leverage ratio as if IFRS 9 ECL transitional arrangements had not been applied	3.51%	3.35%	3.44%	3.61%	3.08%

Capital Requirements and Risk Weighted Exposure

CRR Article 438 (c), (e) and (f)

The Group and NIP RWA and capital requirements:

As at Dec-21 \$m	The Group		NIP	
	RWA	Minimum Requirement ⁽¹⁾	RWA	Minimum Requirement ⁽¹⁾
Total market risk capital requirement	6,364	509	6,016	481
Total counterparty risk and credit risk capital requirement	19,004	1,521	17,784	1,423
Total settlement risk capital requirement	143	11	146	12
Total operational risk capital requirement	3,217	257	3,040	243
Total credit valuation adjustment capital requirement	2,225	178	2,087	167
Total large exposure risk capital requirement	-	-	-	-
Total	30,953	2,476	29,073	2,326

1. The minimum capital requirement refers to the Pillar 1 capital requirement.

Internal Model RWA Movements

The below table shows the RWAs under the Internal Model Method ("IMM") have moved between 30th September 2021 and 31st December 2021. Movement in NIP is materially in line with the Group.

IMM

\$m	The Group	
	RWA amounts	Minimum Requirement ⁽¹⁾
RWA as at Sep-21	9,536	763
Asset size	(847)	(68)
Model updates (IMM only)	(33)	(3)
Credit quality of counterparties	12	1
RWA as at Dec-21	8,668	693

1. The minimum capital requirement refers to the Pillar 1 capital requirement.

Change in RWA is predominantly due to changes in the composition of the portfolio during the quarter.

IMA

The below table shows a breakdown of the changes in IMA market risk RWA between 30th September 2021 and 31st December 2021

\$m	The Group						
	VaR	SVaR	IRC	Comprehensive risk measure	Other	Total RWA	Capital Requirements ⁽¹⁾
RWA at Sep-21	530	1,136	227	0	2,655	4,549	364
Movement in risk levels	(71)	169	9	0	(154)	(47)	(4)
Model updates/changes	(55)	96	13			53	4
RWA at Dec-21	404	1,401	249	0	2,501	4,555	364

\$m	NIP						
	VaR	SVaR	IRC	Comprehensive risk measure	Other	Total RWA	Capital Requirements ⁽¹⁾
RWA at Sep-21	463	1,033	226	0	2,513	4,234	339
Movement in risk levels	(39)	125	9	0	(176)	(79)	(6)
Model updates/changes	(55)	96	13			53	4
RWA at Dec-21	369	1,254	248	0	2,337	4,208	337

1. *Pillar 1 capital requirement. The Group Capital Requirement is calculated by aggregating the requirements for the individual entities. This includes the capital requirement for NFPE.*

Movements in the Group's RWA under IMA:

- Decrease in VaR decreased as high loss scenarios of Oct-2019 moved out of the 2 Year window causing decrease in average unweighted VaR for this quarter.
- SVaR increased mainly due to credit spreads widening over the quarter and increase in USD OIS/3M rates basis widener position and improvement in TONA time series.
- Reduction in Other (RNIV) is mainly driven by -\$245m Counter cyclical buffer (mainly due to closed trades), partly offset by +\$103m Inflation Vega (due to increase of UKRPI exposure)

Leverage Ratio

CRR Article 451

As at Dec-21	The Group	NIP
\$m		
Total Leverage Ratio Exposure	156,272	146,467
Tier 1 Capital	5,566	5,138
Leverage Ratio	3.56%	3.51%

Management of exposure to leverage forms a key part of the Group's overall strategy and business plan.